

## SUBCOMMITTEE NO. 2

## Agenda

Sheila Kuehl, Chair  
Bob Dutton  
Alan Lowenthal



Monday, March 27, 2006  
11:00 am  
Room 112

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### Resources—Environmental Protection—Energy

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## 7300 Agricultural Labor Relations Board

**Background.** The Agricultural Labor Relations Board (ALRB) is responsible for conducting secret ballot elections to determine collective bargaining representation in agriculture and for investigating and resolving unfair labor practice disputes.

**Governor's Budget.** The Governor's budget proposes \$4.9 million from the General Fund to support the ALRB. This is approximately the same level of funding as is estimated for the current year.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Board Administration	\$2,095	\$2,102	\$7	0.3
General Counsel Administration	2,786	2,796	10	0.4
Administration Services	253	253	0	0.0
<i>less distributed administration</i>	<i>-253</i>	<i>-253</i>	<i>0</i>	<i>0.0</i>
Total	\$4,881	\$4,898	\$17	0.3
<b>Funding Source</b>				
General Fund	\$4,881	\$4,898	\$17	0.3
<i>Budget Act Total</i>	<i>4,881</i>	<i>4,898</i>	<i>17</i>	<i>0.3</i>
Reimbursements	0	0	0	0.0
Total	\$4,881	\$4,898	\$17	0.3

**Staff Recommendation.** There are no budget change proposals for ALRB. Staff recommends that the Subcommittee approve the budget for ALRB.

## 8570 California Department of Food and Agriculture

**Background.** The California Department of Food and Agriculture (CDFA) provides services to both producers and consumers of California's agricultural products in the areas of agricultural protection, agricultural marketing, and support to local fairs. The purpose of the agricultural protection program is to prevent the introduction and establishment of serious plant and animal pests and diseases. The agricultural marketing program promotes California's agricultural products and protects consumers and producers through the enforcement of measurements, standards, and fair pricing practices. Finally, the department provides financial and administrative assistance to county and district fairs.

**Governor's Budget.** The Governor's Budget proposes \$240 million to support CDFA in 2006-07. This is approximately \$14 million more than the level of expenditures estimated in the current year. This increase is primarily due to a new budget proposal to address emerging diseases.

<b>Summary of Expenditures</b> (dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Agricultural Plant and Animal Health, Pest Prevention, and Food Safety Services	\$148,312	\$160,083	\$11,771	7.9
Marketing and Commodity and Agricultural Services	62,375	63,773	1,398	2.2
Assistance to Fair and County Agricultural Activities	60,918	60,333	-585	-1.0
Capital Outlay	376	26,419	26,043	6926.3
Administration	14,280	14,392	112	0.8
<i>less distributed administration</i>	<i>-13,178</i>	<i>-13,292</i>	<i>-114</i>	<i>0.0</i>
<b>Total</b>	<b>\$273,083</b>	<b>\$311,708</b>	<b>\$38,625</b>	<b>14.1</b>
<b>Funding Source</b>				
General Fund	\$83,336	\$91,588	\$8,252	9.9
Special Funds	140,747	146,763	6,016	4.3
Bond Funds	1,178	1,178	0	0.0
<i>Budget Act Total</i>	<i>225,261</i>	<i>239,529</i>	<i>14,268</i>	<i>6.3</i>
Federal Trust Fund	37,012	42,480	5,468	14.8
Public Building Construction Fund		17,556	17,556	0.0
Harbors and Watercraft Revolving Fund	1,239	1,273	34	2.7
Reimbursements	9,571	10,870	1,299	13.6
<b>Total</b>	<b>\$273,083</b>	<b>\$311,708</b>	<b>\$38,625</b>	<b>14.1</b>

## 1. Emerging Threats to Food Supply

**Background.** The CDFA is one of the myriad of state government agencies involved with emergencies and disasters. The CDFA is primarily responsible for preventing and responding to pest emergencies and for inspecting agricultural facilities.

In 2005, the Governor proposed \$2.7 million from the General Fund to expand CDFA's activities in addressing potential terrorist attacks on the state's food supply, as well as emerging viral diseases that affect both animals and humans. The Legislature rejected the proposal, finding that

the proposal did not fit into an overall strategy for addressing these issues and did not maximize available federal funds.

**Governor's Budget.** The Governor's Budget proposes \$7.2 million from the General Fund to establish 39 positions to support an ongoing program to address emerging threats to California's food supply, including Avian Influenza and bioterrorism. The funds will be allocated to the following activities:

- **Expanded Laboratory Capacity.** \$2 million (\$1.3 million one-time) for expanded service, new equipment and a new Laboratory Information Management System for the California Animal Health and Food Safety Laboratory System administered by U.C. Davis. The information management system will allow for the automatic transfer of laboratory data directly from testing instruments into databases.
- **Rural-Urban Community Outreach and Disease Surveillance.** \$1.2 million to support 10 positions, including travel and vehicles, to establish detection and education posts near known portals of disease entry. This includes outreach to ethnic communities near urban centers, backyard operations and other non-commercial animal production facilities, and ports.
- **Emergency Response Office.** \$1 million to support eight positions, including training and travel, to develop the infrastructure necessary for effective emergency management. This office acts as a conduit for critical information sharing and coordination of resources during emergencies.
- **Develop Animal Tracking System.** \$753,141 to support four positions, including training and equipment, to compile and validate information on agricultural facilities in California. This data will be used to develop quarantine boundaries, trace movement of disease, and conduct investigations. Funds will also be used to support contracts to provide database management enhancements.
- **Assess Safety of Production Facilities.** \$587,843 to support four positions, including travel and vehicles, to implement farm level strategies to detect and contain disease and respond to other disasters that may impact animal agriculture. Funds will also be used to increase laboratory support for the California Animal Health Veterinary Laboratory Services.
- **Dairy Food Safety and Security.** \$498,701 to support four positions, including travel and vehicles, to develop standards for security recommendations to dairies, milk transporters, processors, and distributors. After the standards are developed, staff will also be used to support ongoing outreach and education to implement the standards.
- **Field Communications and Data Management.** \$418,356 to support four positions, including travel and vehicles, to develop information technology resources to track test results from sample collection in the field, through the laboratory and into an integrated database. Funds will also be used to support contracts to provide database management enhancements.
- **Create a Research and Policy Development Unit.** \$399,349 to support three positions, including travel and vehicles, to evaluate new research findings and technology strategies to help CDFA accomplish best practice protocols for preventing disease and responding to emergencies.

- **Employee Personal Protection.** \$187,936 to support one position, including travel and vehicle, to provide a comprehensive employee personal protection program for employees responding to animal disease.
- **Field Early Warning System.** \$163,223 to support one position, including travel, to identify and train field observers to establish a field early warning system for identifying animal disease outbreaks.

**Most Activities Eligible for Federal Funds.** The LAO reports that most of the department's proposal is consistent with federal funding parameters for the largest grants received by the state. Moreover, the federal government and the State Office of Homeland Security have recently placed an emphasis on funding agriculture-related prevention. The department has received \$1.3 million in the current year from federal homeland security grant funds to support various security measures. The majority of the funds have been used to support the Emergency Response Unit. Permanent funding for this unit is being requested in the budget proposal. Staff finds that there are many one-time activities, like developing plans, upgrading database capabilities, and training, that are more appropriately funded by available federal funds.

**Coordination with Other Efforts Unclear.** The Western Institute for Food Safety and Security (WIFSS) at U.C. Davis is also involved in researching and developing plans that protect the state's food supply. The institute was awarded \$5 million in federal funds from the specialty crop grant program in the current year. The department's budget proposal does not provide sufficient information on how its efforts will be coordinated with the efforts of WIFSS and other efforts by the federal government. Furthermore, the LAO finds that the federal government has already: (1) developed model food security plans for producers and (2) funded the development of a course at U.C. Davis to enhance agricultural production security. The department's proposal appears to duplicate some of these activities.

**Industry Should Contribute to Costs.** The LAO finds that the industry should contribute funding to support the department's security assessments of individual agricultural production facilities (two components totaling \$1.1 million). The department already assesses regulatory fees on these industries and the proposed activities are consistent with other inspection activities.

**Surveillance Would Be Ineffective.** The LAO finds that the department's proposal to establish an outreach and surveillance program would be ineffective. The LAO finds that a ten-member surveillance team would have a minimal impact on the vast number of specialty markets, auctions, swap meets, feed stores, shows and fairs in the state. Furthermore, the LAO finds that the state already has a network of local agricultural commissioners, public health officials, and UC cooperative extension offices that have an established presence in every county and would be better able to target local efforts.

**Required Documents Not Prepared.** The department's proposal includes \$2.2 million in projects to upgrade communication and data management systems. The LAO finds that the department has not submitted feasibility study reports (FSRs) for any of the proposed information technology projects and recommends deleting funding for these projects. Because of the importance of FSRs for project planning and budgeting, the Legislature stated its intent in

the 2005-06 budget (Control Section 11.05) that funding not be approved for information technology projects without FSRs approved at the time of the budget request.

**Existing Resources.** The department indicates that it currently has six temporary positions supporting the department's emergency response office. The budget proposal does not provide additional information on what resources in the base budget are currently supporting similar activities. Staff finds that additional information about the department's current efforts related to emerging threats is needed to determine what new resources are needed. Furthermore, the budget proposal makes passing reference to federal funds received for different activities related to emergency response. More information is needed on the federal funds received from both the Office of Homeland Security and other federal departments such as the U.S. Department of Agriculture.

**Operating Expenses and Equipment Seem High.** The department indicates that it needs an additional vehicle for nearly every position requested in the budget proposal. However, it is not clear that the work performed by each position requires a dedicated state vehicle. Furthermore, the department is proposing to fund a 17 percent additional overhead charge. It is unclear why this additional overhead charge is needed.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Hold this issue open pending receipt of a completed FSR for the information technology components.
- Request staff, the department, the LAO, and DOF to develop an alternative proposal that addresses all of the issues in this analysis.

## 2. Private Vehicle Inspection Program

**Background.** From 1921 to 2003, private vehicles entering California were screened for compliance with federal and state agricultural laws in an effort to minimize the introduction of pests that might cause damage to agricultural crops or native plant species. Due to fiscal constraints, the department discontinued the private vehicle inspection program. Since that time, only commercial vehicles entering the state have been subject to inspections.

**Governor's Budget.** The Governor's Budget proposes \$380,000 from the General Fund to support five 2-year limited-term positions to conduct a pilot project to determine the pest introduction risk presented by private vehicles entering the state.

**LAO Recommendation.** The LAO finds that the department has a long history with this program and believes that one year should be sufficient to reassess the risk. The LAO recommends adopting a one-year pilot and supplemental report language declaring its intent.

**Department Concerns.** The department is concerned that limiting the pilot project to one year will reduce its effectiveness. Their main concern is that funding a one-year pilot for the fiscal year 2006-07 will reduce the department's ability to inspect vehicles during the summer months, which are considered high-risk months for pest infestations.

**Staff Comments.** Staff concurs with the LAO that the department has a long history with this program and that a one-year pilot project should be sufficient to collect data on the potential pest risks being caused by private vehicles. Staff also finds that it will be difficult for the department to obtain a full year of data especially during critical summer months if a one-year pilot is conducted during the normal fiscal year. This problem could be resolved by providing the department with funding for a one-year pilot program, but allow the department to expend the funding over a two-year period. This would allow the department to conduct its pilot project during the 2007 calendar year or another time frame that allows the department to maximize its data collection efforts at high risk times of the year.

**Staff Recommendation.** Staff recommends that the Subcommittee take the following actions:

- Adopt the LAO's recommendation and approve \$190,000 from the General Fund to support a one-year pilot project.
- Adopt budget bill language that extends the liquidation period for these funds to June 30, 2008.
- Adopt supplemental report language that requires the department to report to the Legislature by March 1, 2008 on the findings from the pilot program, including the relative risk of pest infestation posed by private vehicles.

### 3. Tax Enforcement Pilot Program

**Background.** The Board of Equalization (BOE) has a limited ability to identify property entering California on which appropriate taxes have not been paid. The CDFA routinely inspects commercial traffic to ensure that pests do not enter California.

**Governor's Budget.** The Governor's Budget proposes \$250,000 in reimbursements to support three 2-year limited-term positions to conduct a pilot project to evaluate tax collection potential from property purchased outside California and transported into the state without payment of appropriate taxes. The project is being conducted in conjunction with the BOE and will entail CDFA personnel inspecting cargo and copying all pertinent information from commercial shipments entering the state through the Needles Agricultural Inspection Station.

**Justification.** The BOE estimates that this pilot program will generate additional sales and use tax revenue of nearly \$20 million over the next two years.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the budget proposal.

### 4. Hydrogen Highway

**Background.** In 2005, legislation (SB 76, Budget Committee) was enacted that directed CDFA to establish and adopt specifications for hydrogen fuels by January 1, 2008. This legislation provided the Air Resources Board (ARB) with \$6.5 million from the Motor Vehicle Account to implement the Governor's Hydrogen Highway Blueprint Plan. The ARB contracted with CDFA in 2005-06 for \$370,000 to support the development of interim fuel standards.



**Governor's Budget.** The Governor's Budget proposes \$174,000 from the General Fund to support one 1-year limited-term position to develop standards related to hydrogen fuel quality.

**LAO Recommendation.** The LAO finds that the department only plans to spend \$61,000 of the contract funds provided by the ARB in the current year. This would leave approximately \$309,000 available for expenditure in the budget year. Therefore, the LAO recommends rejecting the department's proposal for an additional \$174,000 from the General Fund.

**Department Response.** The department concurs with the LAO and has indicated that it will not need the additional funding in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the LAO's recommendation to reduce the department's General Fund monies by \$174,000.

## 3540 Department of Forestry and Fire Protection

**Background.** The California Department of Forestry and Fire Protection (CDF), under the policy direction of the Board of Forestry, provides fire protection services, directly or through contracts, for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, CDF: (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

**Governor's Budget.** The Governor's Budget provides \$610 million to support CDF in 2006-07. This is approximately seven percent more than the level of expenditures estimated for the current year. The increase is due to employee compensation cost increases associated with fire protection. General Fund support for the department is also proposed to increase by about seven percent for the same reason.

<b>Summary of Expenditures</b> (dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Office of the State Fire Marshal	\$14,984	\$14,725	-\$259	-1.7
Fire Protection	745,697	792,864	47,167	6.3
Resource Management	50,001	46,401	-3,600	-7.2
Capital Outlay	85,298	206,577	121,279	142.2
Administration	56,945	57,793	848	1.5
<i>less distributed administration</i>	<i>-56,515</i>	<i>-57,363</i>	<i>-848</i>	<i>0.0</i>
<b>Total</b>	<b>\$896,410</b>	<b>\$1,060,997</b>	<b>\$164,587</b>	<b>18.4</b>
<b>Funding Source</b>				
General Fund	\$550,036	\$591,257	\$41,221	7.5
Special Funds	8,674	9,196	522	6.0
Bond Funds	9,771	9,498	-273	-2.8
<i>Budget Act Total</i>	<i>568,481</i>	<i>609,951</i>	<i>41,470</i>	<i>7.3</i>
Federal Trust Fund	31,302	29,230	-2,072	-6.6
Forest Resources Improvement Fund	3,619	4,718	1,099	30.4
Bosco-Keene Renewable Resources Investment Fund	1,000	-	-	-
Timber Tax Fund	30	31	1	3.3
Public Building Construction Fund	67,205	188,185	120,980	180.0
Reimbursements	224,773	228,882	4,109	1.8
<b>Total</b>	<b>\$896,410</b>	<b>\$1,060,997</b>	<b>\$164,587</b>	<b>18.4</b>

## 1. Off-Season Fire Protection Statewide

**Background.** A 2001 Memorandum of Understanding (MOU) with CDF firefighters (Unit 8) has significantly increased the compensation rate for planned overtime. During the fire season, firefighters typically work 72 hours, which is three 24-hour shifts, in a week. Federal law requires that firefighters be paid overtime rates for the portion of the workweek that exceeds 53 hours. Therefore, firefighters are paid planned overtime for the 19 hour difference. The MOU also changed staffing patterns during the off-season. Historically, during the off-season, firefighters would work a 53-hour work week consisting mainly of day shifts. Typically, planned overtime was not accrued during this season. However, starting July 1, 2006, firefighters will now work 72-hour work weeks year-round instead of just during the fire season.

The average salary for a Unit 8 employee (excluding benefits) will increase 29 percent as a result of the change in staffing patterns resulting from the 2001 MOU.

The transition to year-round fire protection staffing levels in Southern California was funded in the current year (\$9 million from the General Fund). As a condition of approving these funds, the department was required to report on how the department would use the increased off-season staffing levels to increase fire prevention work.

**Governor's Budget.** The Governor's Budget includes \$37 million General Fund to fund increased employee compensation costs associated with funding year-round fire protection statewide.

**LAO Finds Employee Compensation Costs Overbudgeted.** The LAO recommends reducing the Governor's budget by \$2.9 million in General Fund monies. These funds are not needed because in putting together the budget the department failed to account for the employees in Southern California that had already transitioned to the year-round schedule. The department concurs with the LAO's recommendation.

**Staffing Changes Should Support State Responsibilities.** The state does not have primary responsibility for the protection of structures or for general emergency response. However, staff finds that, by providing 24-hour staff, year-round, the department may be spending more time providing such services, which are the primary responsibility of local fire protection and emergency response entities. In some cases, the state does have contracts with local governments to provide general emergency response functions in the off-season (referred to as Amador agreements). The CDF indicates that these relationships are not proposed to change after year-round staffing patterns are implemented statewide. However, staff finds that local governments may be reluctant to fund additional 24-hour staff during the off-season, given that the state will be required to provide that level of staffing. Furthermore, department conducts the bulk of its fire prevention activities in the off-season. Therefore, additional off-season staffing should result in an increased level of fire protection activities. In order to ensure that the additional state-funded off-season staffing is used to support state responsibilities, the LAO recommends that the Legislature adopt trailer bill language stating legislative intent that additional state-funded off-season staffing be used to support an increased level of fire prevention activities and requiring annual reports to track the progress of the department's prevention efforts.

**Future Compensation Agreements Merit Legislative Attention.** The LAO finds that the 2001 MOU with Unit 8 firefighters was approved by the Legislature without full consideration of the costs associated with the changes. In addition to the significant additional costs associated with the change in staffing patterns, resulting from the 2001 MOU, the change has also resulted in "salary compaction" problems at the department. The department indicates that, as a result of the MOU, it is now difficult for the department to recruit chief officer positions because some rank and file positions make more than chief officer positions.

The LAO recommends that the Legislature adopt trailer bill language to require that, when negotiating future Unit 8 contracts, the Department of Personnel Administration (DPA), in

conjunction with CDF, conduct an analysis of the costs and benefits of alternative staffing patterns at CDF. Alternatives to be considered should include both proposals which reduce the need for planned overtime and proposals which eliminate the need for planned overtime during the off-season. The LAO finds that such an analysis would be valuable to the Legislature in evaluating future Unit 8 MOUs. Furthermore, legislation, (SB 621) enacted in 2005, requires the LAO to provide a fiscal analysis of future MOUs prior to consideration by the Legislature.

**Staff Recommendation.** Staff recommends that the Subcommittee do the following:

- Adopt the LAO's recommendation to reduce the department's General Fund monies by \$2.9 million.
- Approve trailer bill language to ensure increased staffing resources be used to support state responsibilities, consistent with the LAO's recommendation.

## 2. Capital Outlay

**Background.** Under current law, the Department of General Services (DGS) is responsible for the majority of CDF's capital outlay real estate design and management activities. Recent budget acts have given CDF the authority to manage minor capital outlay projects (those that cost less than \$500,000) and eight other major capital outlay projects over the last five years.

**Governor's Budget.** The Governor's budget proposes to double the department's capital outlay staff from 15 positions to 30 positions over a two-year period in order to allow CDF to manage an additional six to eight capital outlay projects annually out of a total of about 45 projects on an ongoing basis. The budget also includes budget bill language that allows the department to conduct any real estate design and project management activities associated with its capital outlay projects.

The Governor's budget also includes \$138 million for capital outlay projects to upgrade the state's fire protection infrastructure, including \$18.4 million from the General Fund and \$119 million from lease revenue bonds. The proposed projects are as follows:

- **Replace Water Supply System at Bear Valley Helitack Base (HB).** The budget proposes \$413,000 from the General Fund to develop preliminary plans and working drawings of the most feasible and cost effective means of providing reliable, long-term water supply for this facility. The current water supply is intermittent during summer months and of very poor quality.
- **Relocate Batterson Forest Fire Station (FFS).** The budget proposes \$259,000 from the General Fund to develop working drawings relocating this facility to a more strategic location on U.S. Forest Service land. This relocation would improve the response times into Bass Lake and North Fork in the Sierras.
- **Relocate Hollister Air Attack Base (AAB).** The budget proposes \$819,000 from the General Fund to acquire 10 acres of land and develop working drawings to construct a new AAB. The current facility is not large enough to handle the air traffic required during a fire fight and many of the facilities do not comply with Federal Aviation Administration (FAA) requirements.

- **Remodel Baseline Conservation Camp (CC).** The budget proposes \$55,000 from the General Fund to develop working drawings to remodel the camp. When the camp was constructed in 1990, budget constraints did not allow for the construction of equipment storage space, emergency power, and adequate office space.
- **Statewide Communication Facilities – Phase III.** The budget proposes \$13.1 million from the General Fund to support the replacement of nine communication facilities statewide. This is the third phase of communications towers to be replaced as part of the Tower and Vault Master Plan that was adopted to convert all telecommunications sites to digital technology.
- **Statewide Communication Facilities – Phase IV.** The budget proposes \$1.6 million from the General Fund to support the development of preliminary plans and working drawings for the replacement of four communication facilities statewide. This is the fourth phase of communications towers to be replaced as part of the Tower and Vault Master Plan that was adopted to convert all telecommunications sites to digital technology. Phases I – IV will have replaced 37 telecommunications facilities. However, there are about 90 facilities remaining that need replacement.
- **Replace Various North Region FFS.** The budget proposes \$22.6 million from lease revenue bonds to fund the development of preliminary plans and working drawings and to construct new facilities at the following locations: Elk Creek, Forest Ranch, Saratoga Summit, Smartsville, Whitmore, Thorn, Del Puerto, Burrell, Point Arena, Susanville, and Buckhorn. These replacement projects are proposed as a single major capital outlay project that will be managed directly by CDF as opposed to the Department of General Services. The CDF will use a prototypical design and will engage in bulk purchasing of materials that will reduce construction costs to the state. The majority of these facilities were built in the 1950s, have fallen into disrepair, and are inadequate to meet today's needs.
- **Replace Intermountain CC.** The budget proposes \$13.7 million from lease revenue bonds to fund the development of preliminary plans and working drawings and to construct a new mess hall, barracks, and equipment storage facilities. The current facility is over 40 years old, crowded and inefficient.
- **South Operations Area Headquarters.** The budget proposes \$30.5 million from lease revenue bonds to acquire 10 acres to relocate these headquarters. The headquarters are used by several other federal and state agencies, including the U.S. Forest Service (USFS), Office of Emergency Services, and National Weather Service. The land purchased is at the USFS' March Air Resources Base and will be held by a March Joint Powers and Redevelopment Agency. Funds are also allocated to develop working drawings and to construct new headquarter facilities, including offices, equipment shops, warehouses, and training classrooms. The current facility is outdated and inefficient and will be reduced due to the construction of a freeway interchange improvement by Caltrans.
- **Replace Miramonte CC.** The budget proposes \$41.5 million from lease revenue bonds to develop preliminary plans and working drawings and to construct new barracks, mess hall, and other administration buildings. The current facility was constructed in the 1940s and does not meet current health and safety codes.
- **Replace Badger FFS.** The budget proposes \$4.1 million from lease revenue bonds to develop preliminary plans and working drawings and to construct new barracks and

equipment storage. The current facility was constructed in the 1940s and does not accommodate CDF's standard fire engines.

- **Expand Fire Academy.** The budget proposes \$6.7 million from lease revenue bonds to develop preliminary plans and working drawings and to construct an additional 80 person dormitory and expand the existing mess hall. The current facility is not adequate to house all of the Academy's students and guest instructors and excess students are sent to motels, which increases student housing costs.
- **Upgrade Water and Wastewater Systems.** The budget proposes \$1.9 million from the General Fund to upgrade water and wastewater systems at three CCs and one FFS to comply with current water quality regulations. The facilities to be upgraded include: Devil's Garden CC (Alturas County), Ishi CC (Tehama County), Growlersburg CC (Placer County), and Howard Forest – Mendocino Unit Headquarters.
- **Demolish Abandoned FFS.** The budget proposes \$252,000 from the General Fund to demolish the Coalinga FFS which is no longer in use. This station is located on land leased from Chevron and demolition is necessary to terminate the lease.

**LAO Recommendation.** The LAO finds that CDF's capital outlay projects are consistently behind schedule due to expanded review requirements for lease revenue bond financing, bids coming in over budget, project scope changes, and environmental studies dictating project changes. The LAO also finds that DGS can contribute to delays in CDF's projects since it has to prioritize projects across state government.

The LAO recommends denying CDF additional position authority and increased responsibility for project management. The LAO finds that the proposal does not directly address the reasons for the delays and asks that the department report at budget hearings on a proposal that addresses the root causes of project delays.

**Staff Comments.** The most recent Infrastructure Plan indicates that CDF has \$1.4 billion in infrastructure needs over the next five years. The report recommends funding \$353 million categorized as critical infrastructure deficiencies over the next five years. There is a clear need for the state to move expeditiously to replace aging CDF facilities. However, staff concurs with the LAO that the department's proposal does not directly address the reasons for the project delays. Furthermore, the department has not provided sufficient information regarding its prior experience in managing capital outlay projects internally.

**Staff Recommendation.** Staff recommends that the Subcommittee take the following actions:

- Hold open the proposal to double CDF's capital outlay staff.
- Request CDF to provide additional information on the projects managed by CDF over the past five years, including the number of years delayed and reason for delay.
- Request CDF to provide additional information on how CDF is addressing or can address delays caused by expanded review requirements for lease revenue bond financing, bids coming in over budget, project scope changes, and environmental studies that dictate project changes.
- Approve funding for the capital outlay projects.

### 3. Forestry Programs

**Background.** Revenues generated from timber harvesting in state-owned forests are deposited into the Forest Resources Improvement Fund (FRIF). These funds are used to support forest resource assessment and enhancement programs such as forest pest research and management, forest and rangeland assessment activities, state nurseries, management of the state's forests and urban forestry programs.

The Jackson State Forest is the largest state-owned forest and revenues from this forest have historically generated the bulk of the FRIF revenues. However, since timber harvesting in Jackson State forest has been the subject of ongoing litigation, FRIF revenues have been sharply curtailed. Consequently, these programs have been funded at a reduced level over the past two years with funding from the Renewable Resources Investment Fund (RRIF).

**Governor's Budget.** The Governor's Budget estimates that \$15 million in revenue will be generated from the sale of forest products harvested on state forest land in the current and budget years combined. The budget proposes to expend \$4.7 million of these revenues to support forestry programs in 2006-07.

**Jackson State Forest Issues Still Unresolved.** The department just completed the public comment period on the draft Environmental Impact Report (EIR) to continue timber harvesting at Jackson State Forest. The department indicates that the Board of Forestry will begin to consider the final EIR at the April meeting of the board and will likely need more than one board meeting for a complete review of the EIR. Given this timeline, the department does not realistically expect to receive any revenues from the forest in the current year.

The Legislature was notified on December 19, 2005 that an unanticipated decline in lease revenues had resulted in a \$2 million deficit in the RRIF fund. In order to continue to support CDF forest resource assessment and enhancement programs in the current year, DOF approved a \$2 million loan from the General Fund. The loan was proposed to be repaid before the end of the current year from revenues generated at Jackson State Forest.

**Staff Comments.** Staff finds that CDF will not have adequate revenues from the Jackson State Forest to repay the General Fund prior to the end of the fiscal year. Furthermore, staff finds that revenues projected to support forest resource assessment and enhancement activities are uncertain due to continued controversy surrounding timber harvesting at Jackson State Forest.

Furthermore, staff finds that funding for forestry programs must be more diversified. The FRIF funds are an appropriate funding source, but should not necessarily be linked to the amount of FRIF revenues in any given year. Appropriate funding sources include the General Fund, Environmental License Plate Fund revenues, and timber harvest plan fee revenues.

**Staff Recommendation.** Staff recommends that the Subcommittee take the following actions:

- Hold the FRIF-funded activities open pending receipt of a final decision by the Board on the Jackson State Forest EIR.
- Request CDF and DOF to provide information on how they plan to repay the General Fund in the current year.



- Request staff, the LAO, DOF, and the department to work on options for funding forestry programs in the budget year.

## 4. Urban Forestry Grants

**Background.** Proposition 12 allocated \$10 million in bond funds to CDF for urban forestry grants. The grants were for costs associated with the purchase and planting of trees and up to three years of maintenance of the trees. This program started its implementation in 2000-01 and has spent approximately \$1.4 million annually. Proposition 40 allocated an additional \$10 million for urban forestry grants.

**Governor's Budget.** The Governor's budget proposes to expend \$1.4 million from Proposition 12 bond funds for urban forestry grants.

**Staff Comments.** Staff finds that there is projected to be \$1.2 million remaining in Proposition 12 after the budget year allocation for urban forestry grants. Furthermore, the entire \$10 million allocated for urban forestry grants in Proposition 40 is available for expenditure. Staff finds that there is considerable demand for these types of grants and it is unclear why the department has taken so long to allocate the funding.

**Staff Recommendation.** Staff recommends that the Subcommittee request staff to work with the LAO, DOF and the department to work on a plan to accelerate the allocation of Proposition 12 and Proposition 40 bond funds for urban forestry projects.

## 5. Other Budget Proposals

**Governor's Budget.** The Governor's budget includes the following budget proposals:

- **Computer Aided Dispatch (CAD) System.** The budget proposes \$932,000 from the State Emergency Telephone Number Account to continue the implementation of a new CAD system that has greater capacity. This system is used by CDF to link to 911 operators so that they may receive information regarding the location of emergencies quickly and efficiently. This project upgrade started in 1999 and \$881,000 of the total is identified for the final installment to upgrade the system.
- **Fire and Life Building Inspection Staff.** The budget proposes \$360,000 in reimbursement funds to establish three new inspection positions in the Office of the State Fire Marshall. The Office of the State Fire Marshall is responsible for inspecting 25,000 state-owned facilities annually. Current staffing levels (24 existing inspection staff) are not adequate to provide necessary inspections with the result that the division is delaying requests from other state agencies for inspections. These positions will help the division meet its workload.
- **Disposal of Seized Fireworks.** The budget proposes \$500,000 from special funds to support seizure and safe disposal of illegal fireworks. These funds will be used to support overtime, operating expenses, and safe disposal of illegal fireworks. Two existing positions support this program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve these budget proposals.

## 6. Equipment Purchases—Informational Item

**Background.** The 2005-06 budget included \$10.8 million for ongoing fire-equipment replacement. This was a 150 percent increase to the department's equipment budget. As part of the 2005-06 budget, the Legislature requested a report on the department's actual equipment expenditures. During discussions regarding this proposal, the LAO recommended that CDF conduct a study to explore options for financing the purchase of helicopters to replace CDF's aging fleet.

### Questions.

- What has the department done to explore options for purchasing helicopters to start replacing CDF's fleet?

## 7. Disabled Veteran Businesses Contracts—Informational Item

**Background.** As part of the 2005-06 budget, the Legislature requested a report from the department on its efforts to contract with certified disabled veteran businesses, as directed by current law. Inconsistent policies were identified at the department, related to contracting with veteran-owned businesses.

**Report Summary.** The department's report indicates that disabled veteran businesses were paid \$253,239 for services rendered during the 2005 fire season. This number was down significantly from the 2004 fire season given the sharp decline in the number of fires and acres burned in 2005. The department also indicates that it conducted eight hired equipment dispatching training workshops throughout the state for CDF fire dispatchers. A total of 64 dispatchers from 21 of CDF's dispatching centers received training on CDF's emergency equipment hiring and dispatching policies and a special emphasis was placed on how CDF provides preferential hiring opportunities to disabled veteran business enterprises.

### Questions.

- How often are the dispatchers trained?

## 3790 Department of Parks and Recreation

**Background.** The Department of Parks and Recreation (DPR) acquires, develops, and manages the natural, cultural, and recreational resources of the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

**Governor's Budget.** The Governor's Budget proposes \$344 million to support DPR in 2006-07. This is about a 50 percent reduction from estimated expenditures in the current year due to a reduction in the bond funds available for appropriation. General Fund support for the department is proposed to increase by about 12 percent reflecting a budget proposal to fund remediation activities at the Empire Mine State Historic Park.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Support of the Department of Parks and Recreation	\$338,672	\$336,203	-\$2,469	-0.7
Local Assistance Grants	223,719	45,369	-178,350	-79.7
Capital Outlay	274,412	29,405	-245,007	-89.3
<b>Total</b>	<b>\$836,803</b>	<b>\$410,977</b>	<b>-\$425,826</b>	<b>-50.9</b>
<b>Funding Source</b>				
General Fund	\$101,140	\$112,784	\$11,644	11.5
Special Funds	270,610	200,625	-69,985	-25.9
Bond Funds	327,494	30,864	-296,630	-90.6
<i>Budget Act Total</i>	<i>699,244</i>	<i>344,273</i>	<i>-354,971</i>	<i>-50.8</i>
Federal Trust Fund	79,666	31,672	-47,994	-60.2
Reimbursements	56,944	34,060	-22,884	-40.2
Harbors and Watercraft Revolving Fund	689	712	23	3.3
California Missions Foundation Fund	260	260	0	0.0
<b>Total</b>	<b>\$836,803</b>	<b>\$410,977</b>	<b>-\$425,826</b>	<b>-50.9</b>

## 1. Off-Highway Motor Vehicle Program

**Background.** The Off-Highway Motor Vehicle Recreation Program (OHV Program) provides opportunities for OHV recreation while protecting California's natural and cultural resources from the negative environmental impacts of OHV recreation. The department operates eight OHV-related state parks. The department also allocates OHV grants for a variety of activities related to OHV facilities, law enforcement operations, resource management, safety and education, and equipment projects. The grant applications must be approved by the OHV Commission, which establishes policy for the program. The Commission is made up of seven members that are required to represent a broad range of interests.

**Governor's Budget.** The Governor's budget proposes \$18 million from the OHV Fund for the OHV grant program.

**LAO Recommendation.** The LAO finds that the process for establishing guidelines and priorities for the OHV grant program is broken. This is consistent with issues raised by the Bureau of State Audits in a recent audit of the OHV program. The allocation of OHV grants in the current year has been delayed due to ongoing disagreements between the OHV Commission and the department regarding how the funds should be allocated. Furthermore, the LAO recommends deleting the \$18 million for OHV grants pending resolution of this breakdown in the process of allocating the grant funds.

**OHV Act Sunsets.** Staff finds that the entire OHV Recreation Program is scheduled to sunset on January 1, 2007.

**Missing Gas Tax Study.** Staff finds that OHV users participate in a wide range of activities. These activities range from motorcycle racing to using an OHV to access a remote fishing lake or hiking spot. The department is currently preparing a gas tax study that includes a survey of the range and amount of time OHV users engage in different activities. Data from this study is critical to determining the best way to allocate the OHV Funds to ensure that they support activities that are consistent with the demands of all OHV users. The department has indicated that the gas study will not be complete until after the budget is approved and that the study is instrumental to the development of an OHV strategic plan.

**Staff Recommendation.** Staff recommends that the Subcommittee take the following actions:

- Adopt the LAO's recommendation and delete funding for OHV grants from the OHV fund pending a resolution of the current problems with the grant allocation process.
- Adopt trailer bill language to extend the OHV Program and OHV Commission for one year.
- Adopt supplemental report language requiring the department to submit the gas tax study and a recommended strategic plan for the OHV Program to the Legislature no later than January 10, 2007.

## 2. Local Park Grants

**Governor's Budget.** The Governor's Budget proposes \$45 million in local park grants. The department also proposes to amend budget bill language to allocate up to 3.7 percent of each project/appropriation to the department to administer its grants. Local assistance funding is proposed for allocation to the following grants:

<b>Local Assistance Program</b> <i>(Dollars in Thousands)</i>					
<b>Fund Source</b>	<b>Recreational Grants</b>	<b>Local Projects</b>	<b>OHV Grants</b>	<b>Historic Preservation Grants</b>	<b>Total</b>
Habitat Conservation Fund	2,709	1,500	-	-	4,209
Off-Highway Vehicle Trust Fund	-	-	18,000	-	18,000
Recreational Trails Fund	7,000	-	1,700	-	8,700
Federal Trust Fund	13,000	-	-	1,200	14,200
California Missions Foundation Fund	-	-	-	260	260
<b>Total</b>	<b>\$22,709</b>	<b>\$1,500</b>	<b>\$19,700</b>	<b>\$1,460</b>	<b>\$45,369</b>

**Administrative Costs.** The Governor proposes to adopt budget bill language that increases the amount the department can allocate to administer its grants from 1.5 percent to 3.7 percent to reflect the true costs of managing grant programs. The department has determined that, over the entire life of the Proposition 40 bond funds grant, administrative costs have averaged 3.2 percent, plus an additional 0.5 percent for auditing responsibilities. Another state audit from 2005 found that State Parks did not consistently follow its own procedures for monitoring progress on local grants. The additional administrative funding will ensure that local grant funds are spent in a way that is consistent with the intent of the Legislature.

**Staff Recommendation.** Staff recommends that the Subcommittee take the following actions:

- Delete funding for the OHV grants from the OHV Fund.
- Approve all other local assistance grants funds.
- Approve budget bill language to increase the maximum amount the department is allowed to allocate for administration of the grant program.

## 3. Americans with Disabilities Act Upgrades

**Background.** As the result of a lawsuit, State Parks is required to spend \$110 million over 14 years (beginning in 2002-03) for modifications to existing state park facilities in order to make state parks more accessible to visitors with disabilities. These include modifying restrooms, parking areas, picnic sites and trails, to allow for greater access.

**Governor's Budget.** The Governor's Budget proposes \$11.8 million (\$11.2 million General Fund) to fund the multi-year effort to make existing state park facilities compliant with the

Americans with Disabilities Act (ADA). This is year five of the multi-year effort to modify park properties to comply with ADA.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt this budget proposal.

## 4. Remediation of Empire Mine

**Background.** The Empire Mine State Historic Park was the site of major mining activities for over 100 years. There are various contaminants present on the site, including asbestos, radon, and various heavy metals.

The department was allocated \$500,000 from the Surface Mining and Reclamation Act Fund in 2005 to fund a human health risk assessment and storm water pollution prevention plan to begin to address the pollution caused by the Empire Mine.

**Governor's Budget.** The Governor's Budget proposes \$5 million in General Fund monies for contamination remediation measures at the Empire Mine State Historic Park.

**Recent Lawsuit.** State Parks and the Deltakeeper entered into a Consent Decree in January of 2006 to settle a lawsuit brought by the Deltakeeper. This Consent Decree requires State Parks' full compliance with industrial and construction storm water permits. The department indicates that it already has a Storm Water Pollution Prevention Plan in place and is working on the necessary permits for implementing best management practices and a permanent pollution prevention strategy. The department also indicates that it is pursuing potential responsible parties that will share in the cost of the cleanup.

**Staff Comments.** Staff is concerned that the department has not provided sufficient information about how it will expend the \$5 million requested, nor how it will comply with storm water permits. The department indicates that it needs to engage in a number of additional studies. Staff understands the need for additional studies, but is also concerned that actual work to reduce pollution at the park not be delayed.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this issue open pending additional information from the department on its plans for cleanup of pollution caused by Empire Mine.

## 5. Water Infrastructure Upgrades

**Background.** The department owns 246 water systems, 935 waste water systems, and 12 wastewater treatment plants. Many of these systems are old and require upgrades to meet regulatory requirements.

The department was given \$6 million in additional fee authority in 2005-06 to fund water and wastewater infrastructure upgrades. However, these fee revenues have not been realized, mainly

due to weather patterns that reduced attendance at state park facilities. Therefore, very little has been done to upgrade water and wastewater infrastructure at state parks.

**Governor's Budget.** The Governor's Budget proposes \$1.4 million in General Fund monies to support 10 new positions to supervise water and wastewater systems and to ensure safe drinking water and wastewater systems at park facilities.

**Workload Justification.** The department has experienced numerous system failures that have impacted or threatened natural resources and cultural resources. Many of these failures were due to overuse of old systems designed for lower capacities. The department is legally required to address the deficiencies under the Federal Safe Drinking Water Act and Clean Water Act. Furthermore, the department currently does not have enough staff to manage its water and wastewater systems. State regulations now require water and wastewater systems to be supervised when they are in operation. The budget proposal begins to address this problem by providing 10 additional staff to supervise the department's water and wastewater facilities. The department indicates that it needs an additional nine positions to fully implement this regulatory requirement.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 6. Concession and Operating Agreement Proposals

**Background.** Under current law, the Legislature is required to review and approve any proposed or amended concession contract that involves a total investment or annual gross sales over \$500,000. The Legislature is also required to approve most types of operating agreements, which are agreements between the department and other government entities (mainly local governments) to allow these entities to operate and maintain a state park unit. In past years, the Legislature has provided the required approval in the supplemental report of the budget act.

**Governor's Budget.** The budget proposal includes five operating agreements that require legislative approval. These operating agreements include:

- Woodland Opera House
- Folsom Lake Natoma Aquatic Center
- Stone Lake Property
- Lighthouse Field State Beach
- Lucadra and Moonlight State Beaches

The budget proposal includes five concession proposals that require legislative approval. These concession agreements include:

- **Millerton Lake State Recreation Area.** Proposal to operate a marina for up to 30 years with a minimum capital investment of \$2 million and the state to receive an undetermined amount.
- **Asilomar State Beach.** Proposal to operate lodging with details to be determined.
- **Hollister Hills State Vehicular Area.** Proposal to operate a park store for ten years with details to be determined.

- **Old Town San Diego State Park.** Proposal to operate food and other retail for up to ten years with the state receiving \$5,000 or 8 percent of sales at a minimum capital investment of \$100,000.
- **Pismo State Beach.** Proposal to operate lodging and a restaurant with a minimum capital investment of \$14 to \$17 million and the state to receive an undetermined amount.

**LAO Recommendation.** The LAO recommends approving all of the operating agreements. Furthermore, the LAO recommends holding open all of the concession proposals due to missing information. Feasibility studies for the first three concession proposals have not been completed thus far and are required in order to determine the minimum rent to the state. The two latter concession proposals have not been approved by the State Parks and Recreation Commission.

**Staff Recommendation.** Staff recommends that the Subcommittee take the following actions:

- Approve the operating agreements.
- Hold open the concession proposals pending receipt of feasibility study reports or approval by the Parks and Recreation Commission.

## 7. Capital Outlay

**Governor's Budget.** The budget proposal includes \$22.7 million to fund various capital outlay development projects and acquisitions in the budget year. Approximately \$6 million is for statewide acquisitions, \$600,000 is for OHV acquisitions, \$13.6 million is for capital outlay projects to develop and improve existing State Parks facilities, and \$2.6 million is for other minor projects.

**Development of Existing Park Facilities.** The budget includes the following proposals to develop and improve existing park facilities:

- **Structural Improvements to Antelope Valley Indian Museum.** The budget proposes \$2 million from Proposition 12 bond funds to make structural improvements to the museum building and to replace the heating and cooling system.
- **Water Improvements to Big Basin Redwoods State Park (SP).** The budget proposes \$3.2 million from Proposition 40 bond funds to develop working drawings and to improve the water treatment plan, the water storage tanks, and the distribution system.
- **Drainage Improvements at Columbia State Historic Park (SHP).** The budget proposes \$1.7 million from Proposition 12 bond funds to develop working drawings and enlarge selected culverts to improve drainage and alleviate flooding problems at the park.
- **State Support for Joint Maintenance Facility at Jedediah Smith Redwoods SP.** The budget proposes \$949,000 from Proposition 40 bond funds to provide one-time state support for a state and National Park Service joint maintenance facility to be constructed in 2008 at Jedediah Smith Redwoods SP. The National Park Services has allocated \$10 million for the construction of this facility.
- **Rehabilitate Millerton Lake State Recreation Area (SRA) Facilities.** The budget proposes \$131,000 from Proposition 12 bond funds to develop working drawings to rehabilitate and expand day use facilities at the La Playa day use area at the state recreation area.



- **Replace Lifeguard Tower at San Elijo State Beach (SB).** The budget proposes \$2.6 million from Proposition 12 bond funds to construct a new lifeguard headquarters building in a new location on the beach.
- **Reimbursements.** The budget proposes \$3 million from reimbursement funds to allow the department to be reimbursed for various projects statewide from other departments and entities.

**Minor Capital Outlay.** The budget includes the following minor capital outlay proposals:

- **Statewide Off-Highway Vehicle (OHV) Projects.** The budget proposes \$2.1 million from the OHV Trust Fund for: repaving the shop parking lot at Hungry Valley State Vehicular Recreation Area (SVRA); replace seven toilets at Hungry Valley SVRA; add six restroom buildings at Oceano Dunes SVRA; install a vehicle wash rack at Oceano Dunes SVRA; construct covered vehicle storage at Oceano Dunes SVRA; restore Lost Canyon Hill Trail at Hollister Hills SVRA; and construct two residence pads at Ocotillo Wells SVRA.
- **Volunteer Enhancement Program.** The budget proposes \$230,000 from Proposition 12 bond funds for the improvement of two camp host sites located statewide in the State Park System and the construction, enhancement, and improvement of various volunteer facilities. The budget also proposes to revert \$86,000 from Proposition 12 bond funds allocated in the 2004 budget for the Volunteer Enhancement Program.
- **Other Minor Projects.** The budget proposes \$275,000 from Proposition 12 bond funds to correct road and trail system drainage impacts to the watershed of Sugar Pine Point SP.

**Off-Highway Vehicle Acquisitions.** The budget includes the following OHV acquisitions:

- **Purchases and Budget Development.** The budget proposes \$600,000 in OHV funds for acquisitions of parcels adjacent to existing state and federal OHV areas and the development of future projects and acquisitions.

**Acquisitions.** The budget includes the following proposed acquisitions:

- **Statewide Habitat Conservation Fund (HCF) Acquisitions.** The budget proposes \$1 million from the HCF to acquire habitat lands adjacent to state park lands to support the protection of wildlife habitat.
- **Federal Trust Fund Acquisitions.** The budget proposes \$5 million from federal trust funds to potentially acquire properties for the Anza-Borrego Desert SP, Redwoods parks, Santa Cruz Mountains parks, and other statewide acquisitions.

**LAO Recommendation.** The LAO finds that the OHV Commission has not approved six of the seven OHV minor capital outlay projects and recommends deleting these projects from the budget pending commission approval. The only project approved by the commission is the restoration of the Canyon Hill Trail at the Hollister Hills SVRA.

**Staff Comments.** Staff finds that \$1.4 million in Proposition 40 bond funds were provided in the 2005-06 budget to construct a new lifeguard headquarters at Lake Perris SRA. Since last year the Department of Water Resources has lowered the lake level by 25 feet due to seismic safety risks found in a section of the foundation at Perris Dam. Staff finds that the conditions at

Lake Perris that are likely to last for the foreseeable future may have reduced the demand for this project.

**Staff Recommendation.** Staff recommends that the Subcommittee take the following actions:

- Hold open six of the OHV minor capital outlay projects pending Commission approval.
- Approve the remaining capital outlay proposals.
- Request that the department provide additional information on the impacts of lower lake levels at Lake Perris and the need for the capital outlay project approved in 2005.

## 8. Main Street Program

**Background.** The California Main Street Program focuses on enhancing economic, social, cultural, and environmental well being of traditional commercial districts located in California's cities, towns, and neighborhoods. The program assists communities to build a local broad-based organization to implement and manage the revitalization process. This program is currently managed by the Office of Historic Preservation at State Parks, but has not been funded in several years.

**Governor's Budget.** The Governor's budget provides authority to expend up to \$175,000 from the California Main Street Program Fund. However, to date, no revenues have been identified for deposit in the fund.

**Value of State Program.** Staff finds that there is considerable value in having a state coordinating role for the Main Street Program. Before funding for this program was eliminated, the state Main Street Program provided important training and information resources to help guide local main street efforts. Revitalization efforts are often complicated efforts that require a broad collaborative effort by multiple stakeholders. The experience and transfer of historical knowledge about what has worked and has not worked in other revitalization efforts can be instrumental to moving these processes forward. Furthermore, state level staff previously generated additional revenues for the program by providing consultation services on a fee-for-service basis. However, without a state-level staff presence and program, the department cannot provide these services.

**Value of Revitalization.** The mission of the State Main Street Program is consistent with other state efforts to encourage in-fill development and reduce the urban sprawl that has impacted the state's natural landscapes. Many times, in-fill development and the revitalization of historic commercial centers are made difficult by contaminated sites and other hurdles that are not present when developing open space or agricultural land. However, promoting in-fill development not only reduces urban sprawl, but often reduces traffic congestion and can result in more livable communities.

**Staff Recommendation.** Staff recommends that the Subcommittee request staff to work with the department, LAO, and DOF on alternatives for funding the Main Street Program.

## 3340 California Conservation Corps

**Background.** The California Conservation Corps (Corps) assists federal, state and local agencies and nonprofit entities in conserving and improving California's natural resources while providing on-the-job training and educational opportunities to California residents aged 18 through 23. In addition to activities traditionally associated with the Corps, such as tree planting, stream clearance, and trail building, the Corps responds to emergencies caused by fires, floods, earthquakes, and other natural disasters. The Corps also develops and provides funding for 11 community conservation corps.

**Governor's Budget.** The Governor's Budget proposes \$59.8 million to support the California Conservation Corps in 2006-07. This is a 4 percent decline from estimated expenditure levels in the current year due to a reduction in bond funds available for appropriation. General Fund support for the Corps is proposed to increase by about 40 percent in the budget year due to a proposal to increase the department's General Fund support and reduce the department's reliance on reimbursements.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
<b>Type of Expenditure</b>				
Training and Work Program	\$62,320	\$58,865	-\$3,455	-5.5
Capital Outlay	43,655	13,845	-29,810	-68.3
Administration	7,178	7,178	0	0.0
<i>less distributed administration</i>	<i>-7,178</i>	<i>-7,178</i>	<i>0</i>	<i>0.0</i>
<b>Total</b>	<b>\$105,975</b>	<b>\$72,710</b>	<b>-\$33,265</b>	<b>-31.4</b>
<b>Funding Source</b>				
General Fund	\$24,073	\$33,813	\$9,740	40.5
Collins-Dugan California Conservation Corps Reimbursement Account	31,662	23,462	-8,200	-25.9
Other Special Funds	597	621	24	4.0
Bond Funds	5,988	1,896	-4,092	-68.3
<i>Budget Act Total</i>	<i>62,320</i>	<i>59,792</i>	<i>-2,528</i>	<i>-4.1</i>
Public Buildings Construction Fund	43,655	12,918	-30,737	-70.4
<b>Total</b>	<b>\$105,975</b>	<b>\$72,710</b>	<b>-\$33,265</b>	<b>-31.4</b>

## 1. Core Program Funding

**Background.** Over the past several years, support from the General Fund has been reduced and the Corps budget has become more reliant on the Collins-Dugan Reimbursement Account. The Reimbursement Account earns revenues from reimbursements paid by project sponsors for work done by corpsmembers.

**Governor's Budget.** The Governor's Budget proposes to shift \$8.2 million from the Collins-Dugan Reimbursement Account to the General Fund to maintain the current level of Corps operations.

**Justification.** The General Fund support for the Corps was reduced by \$36.1 million, or 60 percent, over the five year period from 2001-02 to 2004-05. The Corps was able to increase its reimbursement authority marginally over the same period, but, as a result of the reductions, had to curtail operations and reduce the number of fulltime corpsmembers by nearly 40 percent. In an attempt to maintain the Corps core program funding, reserve funds in the Collins-Dugan Reimbursement Account have also been expended. The Corps estimates that it will have exhausted its reserve funds in the Reimbursement Account and will have to make additional program reductions that further erode its core program if additional funding is not provided.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the budget proposal.

## 2. Bond Funds

**Governor's Budget.** The Governor's Budget includes the following bond proposals:

- **State Projects.** The budget proposes expenditure of \$1.4 million from bond funds for resource conservation projects by the Corps (\$1.4 million from Proposition 40 and \$13,000 from Proposition 12).
- **Local Projects.** The budget proposes expenditure of \$510,000 from bond funds to support local conservation corps projects (\$72,000 from Proposition 40 and \$438,000 from Proposition 12).

**Available Bond Funds.** The budget proposal exhausts all Proposition 12 bond funds directly allocated to the Corps and leaves \$41,000 from Proposition 40 for future allocations.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this request.

## 3. Capital Outlay

**Governor's Budget.** The Governor's Budget includes the following capital outlay proposal:

- **Placer Center Water and Wastewater Upgrades.** The budget proposes \$779,000 from the General Fund to support the development of preliminary plans and working drawings and to start construction to connect the Placer Center to the new public sewage treatment system and local water district and allow for decommissioning of the existing septic

system which poses health hazards. The total cost of the project will be approximately \$4.2 million.

- **Fortuna Center Fire Alarm System.** The budget proposes \$83,000 from the General Fund to upgrade the existing fire alarm system at the Fortuna Center. Currently, this facility does not meet code requirements.
- **Placer Center Fire Alarm System.** The budget proposes \$65,000 from the General Fund to upgrade the existing fire alarm system at the Placer Center. Currently, this facility does not meet code requirements.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this request.

## 4. Training Program Plan

**Background.** In addition to the work the Corps do in conserving natural resources and providing assistance during emergency response, the Corps mission is also focused on providing training and educational opportunities for young men and women.

**Training Critical Part of Program.** Staff finds that the budget reductions suffered by the Corps during the early part of this decade have required the department to focus on finding work for the corpsmembers. Providing work experience is an important and critical component of the Corps mission. However, the Corps is also responsible for providing young men and women with training and educational opportunities that will help the young people find long-term employment.

The Corps indicates that it still does provide a number of training programs and educational opportunities for corpsmembers. However, staff finds that these programs could be enhanced by the development of a formalized program and strategic plan for involving corpsmembers in in-house training opportunities and linking corpsmembers with other training opportunities outside of the Corps.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt supplemental report language requesting the Corps to develop, by March 1, 2006, a strategic plan for enhancing the training and educational opportunities for corpsmembers.